

Washington State Auditor's Office
Financial Statements Audit Report

Washington State Wine Commission

Audit Period
July 1, 2008 through June 30, 2009

Report No. 1004204

Issue Date
September 20, 2010



WASHINGTON
BRIAN SONNTAG
STATE AUDITOR



**Washington State Auditor
Brian Sonntag**

September 20, 2010

Washington State Wine Commission
Seattle, Washington

Report on Financial Statements

Please find attached our report on the Washington State Wine Commission's financial statements.

We are issuing this report in order to provide information on the Commission's financial condition.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian Sonntag", is written over a light blue horizontal line.

BRIAN SONNTAG, CGFM
STATE AUDITOR

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**State of Washington
Washington State Wine Commission
July 1, 2008 through June 30, 2009**

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Status of Prior Audit Findings

State of Washington Washington State Wine Commission July 1, 2008 through June 30, 2009

The status of findings contained in the prior years' audit reports of the Washington State Wine Commission is provided below:

- 1. The Commission's internal controls over financial accounting and reporting are inadequate.**

Report No. 1002463, dated August 24, 2009

Background

The Commission staff did not perform a detailed review and reconciliation of the financial statement to the bank activity, internal controls were not designed to address accounting system weaknesses, and accounting staff did not have adequate knowledge of cash basis accounting principles and the *Budgeting, Accounting and Reporting System* (BARS) manual. This caused the Commission's financial information to contain errors that were not detected by Commission staff.

Status

We found that the Commission staff did perform the detailed review and reconciliation to assure that the 2009 financial statements agreed with bank activity and internal controls were designed to address accounting system weaknesses. Further, the Finance Manager attended a *Budgeting, Accounting and Reporting System* (BARS) cash basis reporting training. We consider this issue to be resolved.

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters in Accordance with *Government Auditing Standards*

State of Washington
Washington State Wine Commission
July 1, 2008 through June 30, 2009

Washington State Wine Commission
Seattle, Washington

We have audited the financial statements of the Washington State Wine Commission, King County, Washington, as of and for the year ended June 30, 2009, and have issued our report thereon dated July 12, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Commission's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of the Commission's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of management. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink, appearing to read "Brian Sonntag", written in a cursive style.

BRIAN SONNTAG, CGFM
STATE AUDITOR

July 12, 2010

Independent Auditor's Report on Financial Statements

State of Washington Washington State Wine Commission July 1, 2008 through June 30, 2009

Washington State Wine Commission
Seattle, Washington

We have audited the accompanying financial statements of the Washington State Wine Commission, King County, Washington, for the year ended June 30, 2009. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1b to the financial statements, the Commission prepares its financial statements on the basis of accounting that demonstrates compliance with Washington State statutes and the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Washington State Wine Commission, for the year ended June 30, 2009, on the basis of accounting described in Note 1b.

In accordance with *Government Auditing Standards*, we have also issued our report on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Long-Term Debt is presented for purposes of additional analysis as required by the prescribed . This schedule is not a required part of the

financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is fluid and cursive, with the first name "Brian" and last name "Sonntag" clearly distinguishable.

BRIAN SONNTAG, CGFM
STATE AUDITOR

July 12, 2010

Financial Section

**State of Washington
Washington State Wine Commission
July 1, 2008 through June 30, 2009**

FINANCIAL STATEMENTS

Statement of Activities Arising from Cash Transactions – 2009
Notes to Financial Statements – 2009

SUPPLEMENTAL INFORMATION

Schedule of Long-Term Debt – 2009

Washinton Wine Commission
Statement of Activities Arising from Cash Transactions
For the Year ended June 30, 2009

OPERATING RECEIPTS		
General Income	\$	3,377,429.14
Promotional Income		528,048.20
Total Operating Receipts		3,905,477.34
OPERATING DISBURSEMENTS		
Administrative Expense		1,266,779.45
Promotional Expense		2,868,052.57
Total Operating Disbursements		4,134,832.02
Operating Income (Loss)		(229,354.68)
NONOPERATING RECEIPTS		
Interest Income		1,488.46
Miscellaneous Income		160.20
Total NonOperating Receipts		1,648.66
NONOPERATING DISBURSEMENTS		
Line of Credit		98,983.34
Total Nonoperating Disbursements		98,983.34
Net Increase (Decrease) in Net Cash and Equivalents		(326,689.36)
Beginning Balance of Net Cash and Equivalents		649,961.79
ENDING BALANCE OF NET CASH AND EQUIVALENTS	\$	323,272.43

See Accompanying Notes to Financial Statements

**Washington Wine Commission
WWC
Notes to Financial Statement/Schedules**

Note 1 – Summary of Significant Accounting Policies

a. Reporting Entity

The Washington Wine Commission (WWC) as guided by a Board of Commissioners is a sub political agency who provides a marketing platform to raise positive awareness of the Washington Wine Industry and generate greater demand for its wines.

b. Basis of Presentation

Accounting records for the Commission are maintained in accordance with methods prescribed by the State Auditor under the authority of Washington State law, Chapter 43.09 RCW. The accounts of the Commission collectively make up one single accounting entity. Within the entity accounts are organized on the basis of programs. The entity is accounted for with a set of self-balancing accounts that comprise its cash and investments, revenues, and expenditures. The Commission's resources are allocated to and accounted for in individual programs depending on what they are to be spent for and how they are controlled.

c. Basis of Accounting

Basis of accounting refers to revenues and expenditures, or expenses that are recognized in the accounts, and reported in the financial statements. The Commission's funds are operated on the cash basis of accounting. Under the cash basis of accounting, revenues are recognized when received in cash rather than when measurable and available, and expenditures are recognized when warrants are issued rather than incurred. Purchases of fixed assets are expensed during the year acquired and no general fixed asset account group is established. Inventory is expensed when purchased.

d. Budgets

The Commission's budget procedures are mandated by the Board of Commissioners. The Board of Commissioners shall consider and give tentative approval to the Commission's annual operating budget prior to July 1st of each year.

The Board of Commissioners must approve any revisions that alter the total expenditures. The balance in the reserve accounts may be used only with the approval of the Board of Directors.

The Board or Commissioners must approve the transfer of budgeted amounts between the checking and savings account.

**Washington Wine Commission
WWC
Notes to Financial Statement/Schedules**

e. Deposits

WWC deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation.

f. Capital Assets

Capital Assets are long-lived assets of WWC and are recorded as expenditures when purchased.

g. Compensated Absences

Vacation leave may be accumulated up to 240 hours and is payable upon separation or retirement.

Sick leave may be accumulated up to 480 hours and is payable upon retirement or death.

Compensatory Time is earned lieu of overtime pay for all salaried employees. Compensatory Time may not accumulate more than 120 hours.

h. Long-Term Debt

In 2007, the Commission drew upon a revolving \$100,000 line of credit with the Commerce Bank of Washington. The line of credit was paid in full in December 2008.

i. Risk Management

The WWC maintains all applicable insurance coverage through the Washington State Liability Self Insurance Program. This coverage includes general liability coverage, vehicle, public officials, liquor, violations of civil rights, pollution, injury, and property damage. The liability account provides first- dollar coverage for each claim resulting in a judgment or settlement, up to \$10 million dollars with no deductible.

Note 2 – Compliance and Accountability

There have been no material violations of financial related legal or contractual provisions and there have been no expenditures exceeding legal appropriations in any of the funds of the Commission.

Note 3 – Investments

WWC's only investments are within high interest savings accounts. These accounts give comparable return as that of similar investments as other governmental agencies investing in LGIP (Local Government Investment Pool) accounts. These savings accounts are federally insured.

Washington Wine Commission
WWC
Notes to Financial Statement/Schedules

Note 4 – Long Term Debt

(Also see Schedule 9)

The accompanying schedule of long term debt (Schedule 9) provides a listing of the outstanding debt of Commission and summarizes the WWC debt transactions for 2009. The debt service requirements, including interest are as follows.

Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
98,983.34	0.00	98,983.34	0	0

Note 5 – Pension Plans

Substantially all Commission full time and qualifying part time employees participate in PERS II or PERS III administer by the Department of Retirement Systems, under cost-sharing multiple-employer public employee retirement systems. Actuarial information is on a system-wide basis and is not considered pertinent to the Commission's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by the plan.

Historical trend or other information regarding each plan is presented in the State of Washington's Comprehensive Annual Financial Report. Please refer to said report for detailed information. A copy of this report may be obtained at:

State of Washington
Office of Financial Management
300 Insurance Building
PO Box 3113
Olympia, WA 98504-0201

WASHINGTON WINE COMMISSION
SCHEDULE OF LONG-TERM DEBT
For The Year Ended June 30, 2009

ID No.	Date of Original Issuance	Date of Maturity	Beginning Outstanding Debt 07/01/2008	Amount Assumed in Current Year	BARS code for Receipt	Receiving Fund Number	Amount Redeemed in Current Year	BARS code for Redemption	Redeeming Fund No.	Ending Outstanding debt 06/30/2009 (1)+(2)-(3)
Line of Credit	4/1/2007	Revolving	\$ 98,983.34	\$ -			\$ 98,983.34			\$ -
TOTAL			\$ 98,983.34	\$ -			\$ 98,983.34			\$ -



ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

Our mission is to work in cooperation with our audit clients and citizens as an advocate for government accountability. As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

The State Auditor's Office employees are located around the state to deliver our services effectively and efficiently.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments and fraud, whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service. We continue to refine our reporting efforts to ensure the results of our audits are useful and understandable.

We take our role as partners in accountability seriously. We provide training and technical assistance to governments and have an extensive quality assurance program.

State Auditor
Chief of Staff
Deputy Chief of Staff
Chief Policy Advisor
Director of Audit
Director of Special Investigations
Director for Legal Affairs
Director of Quality Assurance
Local Government Liaison
Communications Director
Public Records Officer
Main number
Toll-free Citizen Hotline

Brian Sonntag, CGFM
Ted Rutt
Doug Cochran
Jerry Pugnetti
Chuck Pfeil, CPA
Jim Brittain, CPA
Jan Jutte, CPA, CGFM
Ivan Dansereau
Mike Murphy
Mindy Chambers
Mary Leider
(360) 902-0370
(866) 902-3900

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